

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail
Priority Mail Contract 426

Docket No. MC2018-134

Competitive Product Prices
Priority Mail Contract 426 (MC2018-134)
Negotiated Service Agreement

Docket No. CP2018-190

PUBLIC REPRESENTATIVE COMMENTS ON USPS REQUEST TO ADD PRIORITY
MAIL CONTRACT 426 TO COMPETITIVE PRODUCT LIST

(March 30, 2018)

The Public Representative hereby provides comments pursuant to the Commission's Notice Initiating Docket(s).¹ In that Notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Request to add Priority Mail Contract 426 to the competitive product list.²

The Postal Service's Request includes a Statement of Supporting Justification, a certification of compliance with 39 U.S.C. § 3633(a), a public (redacted) version of Governor's Decision No. 11-6 and related analysis, a public version of Priority Mail Contract 416, and proposed changes to the Mail Classification Schedule competitive product list with the additions underlined. The Postal Service also filed under seal an unredacted version of Governor's Decision No. 11-6 and Contract 416, and supporting financial data estimating the contract value during the first year.

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, March 26, 2018 (Notice).

² USPS Request to Add Priority Mail Contract 426 to the Competitive Product List and Notice of Filing Materials Under Seal, March 23, 2018 (Request).

COMMENTS

The Public Representative has reviewed the Postal Service's Request, the Statement of Supporting Justification, as well as Contract 426 and the financial data filed under seal with the Postal Service's Request. Based upon that review, the Public Representative concludes that Priority Mail Contract 426 should be classified as a competitive product and added to the competitive product list. In addition, it appears that in the first year, Contract 426 should generate sufficient revenues to cover costs and thereby satisfy 39 U.S.C. § 3633(a).

Product List Assignment. 39 U.S.C. § 3642 requires the Commission to consider whether "the Postal Service exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products." 39 U.S.C. § 3642(b)(1). Products over which the Postal Service exercises such power are categorized as market dominant while all others are categorized as competitive.

The Postal Service's Statement of Supporting Justification (Statement) makes a number of assertions that address the considerations of section 3642(b)(1). Request, Attachment D at 2. Based upon the Statement, the Public Representative concludes that the Postal Service's Request to add Priority Mail Contract 426 to the competitive product list is appropriate.

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service. Based upon a review of the financial data, the negotiated prices in Contract 426 should generate sufficient revenues to cover costs during the first year of the contract and therefore meet the requirements of 39 U.S.C. § 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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